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SUBJECT: JORDAN TESTING A RANGE OF PROGRAMS TO PROVIDE MORE ANIMAL
FEED AS IT MOVES TO CUT SUBSIDIES

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B) Amman 1034
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¶1. (SBU) Summary: Jordan's current animal feed subsidy program is based on an inaccurate count of sheep and goats, and consumes a steadily increasing share of the Government of Jordan's (GOJ) budget. An animal tagging project is expected to decrease the fodder subsidy by USD 87 million. As it moves to cut subsidy costs, the GOJ also seeks to increase domestic production of wheat and barley. A plan submitted to the cabinet would set aside 100,000 hectares of arable land, increase irrigation, and provide farmers with cash and improved seed stocks. Challenges to full implementation of the plan include: drought, dropping groundwater levels, a lack of identified water sources, insufficient seed supply, and rising fertilizer costs. The GOJ is also revisiting a plan to grow fodder in Sudan in exchange for employing Sudanese workers, exchanging technical information with Sudan, and developing virgin land. End summary.

¶2. (SBU) Background: Jordan's animal feed subsidy program consumes a steadily increasing share of the GOJ's budget as world commodity prices go up. The subsidy program is targeted at Jordan's resource-poor, rural population which has no income-generating activities other than raising livestock. The program, however, has been subject to fraud, and the GOJ has made several unsuccessful attempts to get out of the subsidy business. The current subsidy system is based on an animal census. The most recent census, which was met with skepticism from the media, was conducted in late 2007 (Ref E). The GOJ has since launched an animal tagging project for ruminants (sheep and goats) and the expected result is three million head, much fewer than the six million on which the subsidy plan is now based (Ref C). End background.

Animal Census to Cut Subsidy Costs by USD 87 Million

¶3. (U) Amjad Darwish, director of the animal tagging project, told FAS Officer that the GOJ could save half of its feed subsidy costs by using the results of his project's census. Each animal now receives 120 kg of subsidized feed each year, and the GOJ budgets for a maximum of 360,000 tons of subsidized barley at a rate of USD 242/ton. If subsidy beneficiaries were targeted more accurately, the projected savings would be USD 87 million. Collateral benefits of the tagging project include more efficient allocation of services to areas with high animal populations, and improved methods for tracking animals resulting in better animal health and enhanced food safety measures.

¶4. (U) Muhanned Gresh, Ministry of Industry and Trade (MOIT) Director of Tenders and Financial Affairs, commented to FAS Officer that the revised census would also help to keep the subsidy for barley under control. He stressed, however, his concerns about leakage of subsidized wheat into the feed industry (Ref B). Gresh also said that in addition to changes resulting from the census, a new subsidy policy for wheat and barley, both traded by MOIT, would be implemented in order to close the gaps in the current policy.

Efforts Underway to Increase Local Fodder Production

¶5. (U) As an additional cost-saving measure, Jordan seeks to increase local production of animal feed. Jordan's average consumption of wheat and barley is 700,000 tons each, of which Jordanian farmlands produce less than 4 percent. It is estimated that Jordan needs to grow 0.4 million hectares to meet its current needs of wheat and barely. To address this need, Abdallah Al Sheshani, Ministry of Agriculture (MOA) Director of the Private Sector, told FASOff that the MOA has submitted a comprehensive plan to the cabinet to explore the potential and feasibility of growing in various areas of Jordan up to 100,000 hectares of wheat and barley. One identified growing area receives an average annual precipitation of at least 200 mm (8 inches), sufficient rainfall for barley production. The plan calls for seeding 60,000 hectares in that area during the upcoming October to mid-November sowing season. Farmers would be given USD 70 per hectare as well as improved seeds. The Agriculture Minister has already launched phase one of this project to grow 3,000 hectares of wheat in southern Jordan. Since wheat production requires more water than barley, he further explained to the media that the necessary licenses have been obtained and artesian wells are being dug to provide irrigation.

¶6. (SBU) This ambitious plan, however, faces a number of challenges. The proposal submitted to the cabinet is only financially feasible if the current soaring prices for agricultural products are sustained. There has been no apparent discussion of the potential effects of fodder production on fragile soil of marginal lands. Additionally, there is a seed shortage in Jordan, and Syria declined an official Jordanian request to provide seeds, Gresh reported. Basic fertilizer prices have also increased 500 percent (Ref A). Moreover, identified farming areas have been subject to a drought which prevented seedlings from maturing. Groundwater levels have also been dropping in Jordan as twice as much groundwater is used as is recharged annually. Sheshani confided to EmbOff that MOA plans do not include any water sources. Growing one hectare of cereals could require at least 3500 cubic meters, or 350 million cubic meters for 100,000 hectares, a significant input from one of the driest countries on the globe already suffering a water deficit estimated at 250 million cubic meters (Ref D). Nevertheless, Sheshani said plans will proceed, explaining that "desperate times need desperate measures."

Revisiting Old Sudan Plan

¶7. (SBU) MOA is also re-examining a 1997 agreement with Sudan to address Jordan's needs. Under the arrangement, the Sudanese government "gave" Jordan 160 hectares of fertile irrigated land in Northern Sudan, in exchange for employing Sudanese citizens, sharing technical information, and exploiting the vast virgin lands in the Sudan. The project has been stagnant with no real investment as the GOJ did not have adequate resources and could not convince the Jordanian private sector to become involved.

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